ACROMEC LIMITED
(incorporated in the Republic of Singapore)
(Company Registration Number: 201544003M)

PROPOSED JOINT VENTURE TO BUILD-OWN-OPERATE WASTE-TO-ENERGY PLANT

1. INTRODUCTION

1.1 The Board of Directors (the "**Board**") of Acromec Limited (the "**Company**") is pleased to announce that the Group has today entered into various agreements ("**Transactional Agreements**") with Nutara Investment Pte. Ltd. (the "**Investor**") which seeks to formalise a proposed joint venture ("**Joint Venture**") to build-own-operate its waste-to-energy plant at 150 Neo Tiew Road, off Lim Chu Kang (the "**Facility**"). The Joint Venture will only come into effect on Completion (as defined below).

1.2 The Facility, which is presently under construction, seeks to process and convert waste from a farm of Chew's Agriculture Pte Ltd ("**CAPL**") into biogas for use in generating electricity, which will then be supplied back to the farm at agreed prices. Information on the Facility and the agreement between CAPL and the Company's subsidiary Acropower Pte. Ltd. ("**Acropower**", together with the Investor, the "**Parties**") to build-own-operate the Facility can be found in the circular to the Company's shareholders dated 19 June 2019 ("**Circular**") and the Company's earlier announcements on 4 December 2018, 6 March 2019, 5 April 2019, 6 May 2019 and 21 May 2019.

1.3 The Investor is a Singapore-incorporated investment holding company. Its directors and shareholders comprise private investors. The Investor has other investments in companies with experience in providing turnkey solutions to its customers in the field of process plants and facilities, environmental technology systems as well as composite process equipment. To the knowledge of the Company, none of the directors and shareholders/ultimate shareholders (as the case may be) of the Investor are related to any of the directors or substantial shareholders of the Company nor their respective associates, nor do any of them have any shareholding interest in the Company.

2. RATIONALE

The Board views the proposed Joint Venture as a welcomed and positive development. The participation of the Investor as a co-investor for the Facility underscores management's observation of a growing investment interest in the renewable energy space. Besides allowing the Group to spread and share the risks and rewards in the development of the Facility, and conserving its internal resources amid uncertainties associated with COVID-19, the Group can also tap on the Investor's network and experience, especially in the field of plant construction waste-to-energy solutions. The Group is also better positioned to deploy its resources towards any favourable opportunities that may arise in the renewable energy space.

3. PRINCIPAL TERMS OF THE TRANSACTIONAL AGREEMENTS

3.1 **Transactional Agreements**: The Transactional Agreements for the Joint Venture comprise:

(a) a subscription agreement between the Parties and JVCo (as defined below);
(b) a joint venture agreement between the Parties and JVCo;

(c) a loan agreement between Acropower (as lender) and JVCo (as borrower); and
(d) a loan agreement between the Investor (as lender) and JVCo (as borrower).

3.2 **JVCo**: The Joint Venture would be implemented through Neo Tiew Power Pte. Ltd. (the "**JVCo**"). JVCo was incorporated in Singapore earlier this year with the intent of on-boarding co-investors for the development of the Facility and has not commenced any business activities since its incorporation. JVCo is presently 100% held by Acropower, which is in turn 80% held by the Company. On Completion, JVCo would have an issued and paid-up share capital of S$2,300,000 which is 70% held by Acropower and 30% held by the Investor.

3.3 **Subscription**: The investment for the Facility is estimated to be S$10 million, in line with earlier estimates of between S$8 million to S$12 million provided in the Circular. Acropower and the Investor have thus agreed to co-invest in the Joint Venture based on this amount by subscribing for 1,609,999 and 690,000 new shares in JVCo respectively (the "**Subscription**") and also by contributing shareholder loans ("**Shareholder Loans**"), as summarised in the table below. The Investor's subscription of new shares in the JVCo is at an issue price of approximately S$1.88, as compared to Acropower's subscription at S$0.62 per share.

	Subscription Shares	**Subscription Amounts**	**Shareholder Loans**	**Total Investment**
Acropower	1,610,000*	S$1,000,000*	S$5,000,000	S$ 6,000,000
Investor	690,000	S$1,300,000	S$2,700,000	S$ 4,000,000
	2,300,000	S$2,300,000	S$7,700,000	S$10,000,000

* Includes Acropower's subscription of 1 share for S$1 on incorporation (apart from 1,609,999 shares for the Subscription)

3.4 **Completion**: Completion of the Subscription ("**Completion**") is conditional upon the satisfaction (or waiver) on customary conditions precedent such as all requisite approvals being obtained, and also the entry into a purchase order by the JVCo to purchase and transfer the Facility from Acropower to JVCo on terms to be agreed ("**Purchase Order**"). The joint venture agreement (the "**JV Agreement**") between the Parties and JVCo and the loan agreements between Acropower and the Investor (as lenders) and JVCo (as borrower) take effect on and from the date of Completion. The proposed Joint Venture will lapse if the aforesaid conditions precedent are not satisfied (or waived) by the longstop date of 31 December 2020, if not extended by the Parties.

3.5 **Pre-Completion Reorganisation**: For the purposes of implementing the Joint Venture, the agreement executed between CAPL and Acropower to build-own-operate the Facility on 17 May 2019 (as amended and/or supplemented from time to time) has been novated to the JVCo on 16 June 2020 (with JVCo taking the place of Acropower). The Facility would likewise be transferred from Acropower to JVCo on the terms of the Purchase Order prior to Completion, such that the development, implementation and operation of the Facility would be conducted through JVCo.

3.6 **Business of JVCo**: The JV Agreement provides that JVCo shall undertake the business of acquiring and operating the Facility for the transformation of biomass into energy and valuable by-products and trading.

3.7 **Board of Directors**: The board of directors of JVCo shall initial comprise three (3) directors with two directors nominated by Acropower and one director nominated by the Investor. The chairman shall be a director appointed by Acropower.

3.8 **Reserved Matters**: The JV Agreement provides that various matters (such as changes to capital structure and restructuring of JVCo) may only be decided with the written approval of the director nominated by the Investor, and to the extent that such matters require JVCo shareholders' approval under applicable laws, may only be passed or approved with the written approval or affirmative vote of JVCo shareholders holding at least 90% of the shares in the issued and paid-up capital of JVCo.

3.9 **Pre-emption Rights; Permitted Encumbrances**: Customary pre-emption rights are provided where any issuance or transfer of shares of the JVCo must first be offered to the other JVCo shareholder(s). Each JVCo shareholder is permitted to create encumbrances over its shares in JVCo provided that such encumbrances are created in connection with a loan granted by a financial institution, and the terms of such loan are disclosed to the other JVCo shareholder(s).

3.10 **Tag-Along Right**: Each JVCo shareholder is granted a tag-along right in respect of any proposed transfer of shares of JVCo by a JVCo shareholder holding more than 50% of all the issued shares of JVCo.

3.11 **Drag-Along Right**: One or more JVCo shareholder(s) holding no less than 51% of all the issued shares of JVCo shall be entitled to drag-along rights in respect of shares held by the other JVCo shareholder(s), provided that the price at which such shares are sold is no less than 100% of the valuation ascribed by one of the big four accounting firms in Singapore.

3.12 **Default Options**: The JV Agreement provides for certain events of default such as instances of serious and/or persistent breach by a defaulting JVCo shareholder. The occurrence of such events of default allows the non-defaulting JVCo shareholder to acquire the shares held by the defaulting JVCo shareholder at 80% of its fair market value together with all outstanding shareholder loans extended by the defaulting JVCo. The non-defaulting JVCo shareholder can alternatively sell its shares to the defaulting JVCo shareholder at 120% of its fair market value in such circumstances together with all outstanding shareholder loans extended by the non-defaulting JVCo shareholder.

4. FINANCIAL EFFECTS AND FUNDING

4.1 **Assumptions**: The pro forma financial effects as set out below are prepared purely for illustrative purposes only and do not reflect the actual financial position of the Group after contributing the full extent of its investment in the Joint Venture. These pro forma financial effects have been prepared based on the latest announced audited consolidated accounts of the Group for the full-year ended 30 September 2019 ("**FY2019**").

4.2 **NTA**: For illustrative purposes and assuming that the Group had contributed the full extent of its investment in the Joint Venture at the end of FY2019, the effect of the Joint Venture on the net tangible assets ("**NTA**") of the Group is as follows:

	Before the Joint Venture	**After the Joint Venture**
NTA as at 30 September 2019 (S$'000)	7,027	7,637
No. of shares	138,563,978	138,563,978
NTA per share as at 30 September 2019 (S$ cents)	5.07	5.51

4.3 **EPS**: For illustrative purposes and assuming that the Group had contributed the full extent of its investment in the Joint Venture at the beginning of FY2019, the effect of the Joint Venture on the earnings per share ("**EPS**") of the Company is as follows:

	Before the Joint Venture	After the Joint Venture
Net profit attributable to owners of the Company for FY2019 (S$'000)	30	30
Weighted average number of shares – Basic/diluted ('000)	138,563,978	137,563,978
EPS for FY2019 – basic/diluted (S$ cents)	0.02	0.02

4.4 **Funding**: Acropower's share of the investment for the Joint Venture (S$6 million) will be funded by the Group's internal resources and bank borrowings. If the need arises, the Company may consider tapping on equity markets.

4.5 **Facility under construction**: The Facility is presently under construction, and intended to be transferred to and held directly by JVCo prior to Completion. As the Facility is likely to remain under construction as at Completion, no valuation is conducted on the Facility or JVCo, and no profits are attributable to the Facility or JVCo. If the construction of the Facility completes and is directly held by JVCo as at Completion, the book value of the Facility is expected to be S$10 million supported by shareholders' equity of S$2.3 million and S$7.7 million Shareholder Loans. A disposal of 30% equity of the JVCo is accordingly regarded to be at an excess of S$610,000, being the difference between the S$1.3 million share subscription amount of the Investor and S$690,000 (being the Investor's share of 30% of the share capital of JVCo on Completion).

5. RELATIVE FIGURES

5.1 Pursuant to Rule 1007(2) of the Listing Manual (Section B: Rules of Catalist) of the SGX-ST ("**Catalist Rules**"), the relative figures are computed premised on a disposal of 30% equity of the JVCo (the "**Disposal Shares**"). These relative figures computed under Rule 1006 of the Catalist Rules, based on the latest announced consolidated financial statements of the Group for the financial half-year ended 31 March 2020 ("**1H2020**"), are set out below:

Rule 1006(a)

Net asset value of the asset to be disposed of, compared with the Group's net asset value

Net asset value of the asset (S$'000)	690(1)
Group's net asset value (S$'000)	7,595(1)
Size of relative figure	9.1%

Rule 1006(b)

Net profits attributable to the assets disposed of, compared with the Group's net profits	Not applicable(2)
Size of relative figure	Not applicable(2)

Rule 1006(c)

Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares

Value of the consideration received (S$'000)	4,000(3)

The Company's market capitalisation as at 9 September 2020 (S$'000)	18,900(4)
Size of relative figure	21.2%
Rule 1006(d)	
Number of equity securities issued by the Company as consideration, compared with the number of equity securities previously in issue	Not applicable(5)
Size of relative figure	Not applicable(5)
Rule 1006(e)	
The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable(6)

Notes:-

(1) The Group's net asset value ("**NAV**") is derived from its latest announced financial statements for the half year financial period ended 31 March 2020. As at 31 March 2020, the Facility remains under construction and is pending a transfer to JVCo, hence for the purposes of computing the relative figure under Rule 1006(a), it is assumed that the construction of the Facility has completed and is held directly by JVCo. The NAV of JVCo is accordingly the cost of the Facility estimated at S$10 million less S$7.7 million Shareholder Loans (i.e. S$2.3 million), of which a NAV of S$690,000 is attributable to the Disposal Shares.

(2) JVCo is newly incorporated earlier this year and is dormant as at 31 March 2020, hence no profits is attributable to the Disposal Shares assuming that Completion occurs on such date. The Facility remains under construction and is intended to be transferred to JVCo prior to Completion whilst remaining under construction at Completion (assuming Completion occurs prior to the longstop date of 31 December 2020). It thus remains the case that no profits is attributable to either JVCo and/or the Disposal Shares.

(3) Based on injection of S$1.3 million of share capital and up to S$2.7 million in loans by the Investor, totalling S$4.0 million. Please refer to paragraph 3.3 above for further information.

(4) Calculated based on the volume weighted average price of the Company's shares traded on the SGX-ST of S$0.1364 on 9 September 2020, being the market day preceding the date of the Transactional Agreements, and the existing number of issued shares excluding treasury shares of 138,563,978 shares.

(5) Not applicable as no equity securities are proposed to be issued by the Company.

(6) Not applicable as this is not a transaction involving mineral, oil or gas assets.

5.2 The relative figures computed above exceed 5% but none of them exceed 50%. The disposal of the Disposal Shares (as part of the Joint Venture) is accordingly classified as a discloseable transaction.

6. SERVICE CONTRACTS

No person will be appointed to the Board in connection with the Joint Venture and no service contracts in relation thereto will be entered into by the Company.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Joint Venture other than through their respective directorships and/or shareholding interests in the Company.

8. DOCUMENTS FOR INSPECTION

Copies of the Transaction Agreements are available for inspection during normal business hours at the registered office of the Company at 4 Kaki Bukit Avenue 1 #04-04, Singapore 417939 for a period of three (3) months from the date of this announcement.

9. FURTHER ANNOUNCEMENTS

Further announcements on the Joint Venture will be made in due course as and when there are material developments.

By Order of the Board

Lim Say Chin
Executive Chairman and Managing Director
10 September 2020

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*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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